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DEPT FOR EEB A/S SULLIVAN  
DEPT PLEASE PASS TO USTR - BURKHEAD

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TAGS: [ECON](#) [ETRD](#) [EAID](#) [PREL](#) [PGOV](#) [AJ](#)

SUBJECT: PRESIDENT ALIYEV MEETS US EPC DELEGATION, WELCOMES  
NEW ECONOMIC DIALOGUE

Classified By: Ambassador Anne E. Derse per 1.4 (b,d).

**¶1.** (C) Summary: During a February 6 meeting with members of the US Economic Partnership Commission (EPC) delegation, President Aliyev said that he welcomes the new EPC structure because it presents a new opportunity to address a broad range of economic and commercial issues. Aliyev underscored that Azerbaijan seeks to modernize and diversify its economy and highlighted his government's desire to turn Azerbaijan into a "serious regional IT hub." Aliyev said that he understands the risk that Azerbaijan's energy revenue could widen the gap between rich and poor, and is working to eliminate poverty and create jobs. Aliyev said he wants to ensure that "energy serves people's needs." Energy discussion and EPC meeting reported septel. End summary.

**¶2.** (SBU) President Aliyev met with members of the US Economic Partnership Commission (EPC) delegation on February 6, the eve of the inaugural EPC session. Aliyev was accompanied by his economic advisor Vahid Akhundov, foreign policy advisor Novruz Mammadov, and Azerbaijani Ambassador to the US Yashar Aliyev. The US EPC Delegation, led by Assistant Secretary for Economic, Energy and Business Affairs Daniel Sullivan and accompanied by the Ambassador, included USAID Acting Assistant Administrator Douglas Menarchik, Principal Deputy Assistant Secretary for South and Central Asia Steven Mann, Deputy Assistant Secretary for Europe and Eurasia Matt Bryza, Coordinator of Assistance for Europe and Eurasia Tom Adams, EB Special Representative for Commercial Affairs Frank Mermoud, Commerce Deputy Assistant Secretary Paul Dyck, TDA Director for Europe Dan Stein, USTR Director of European and Middle Eastern Trade Affairs Paul Burkhead, DOE Director of Russian and Eurasian Affairs Lana Ekimoff, Treasury's Eric Meyer, Ankara-based Agriculture Counselor Ralph Gifford and Pol/Econ Counselor (notetaker). Energy portion of discussion is reported septel, as is the EPC meeting.

**¶3.** (C) Introducing the delegation, Sullivan said the US is eager to expand economic cooperation beyond the energy sector; the broad delegation assembled for the first-ever EPC meeting represents the range of interests and opportunities that the US hopes to explore with the Government of Azerbaijan, including trade, finance, and private sector development. Following President Aliyev's productive visit to Washington in April 2006, the US seeks to expand and build upon our existing, excellent cooperation in three key areas: security and the global war on terrorism, energy security, and economic and political reform. Sullivan thanked Aliyev for Azerbaijan's leadership in the global war on terror and regional energy development.

¶ 4. (C) The EPC, Sullivan continued, is a concrete way to deepen our engagement in economic and commercial issues. Through the EPC, the US hopes to identify ways to help Azerbaijan meet the challenges of its ongoing economic transition, and help ensure that Azerbaijan's macroeconomic reforms continue. The US also hopes to ensure that the bilateral commercial relationship can live up to its potential, by finding ways to deepen investment and trade. Sullivan noted that continued attention to anti-corruption and anti-inflationary measures, and deepened engagement on WTO accession could help attract further investment in Azerbaijan. Through the EPC, Sullivan concluded, the US hopes to discuss a range of cross-cutting issues that will achieve in concrete, action-oriented objectives.

¶ 5. (C) Aliyev said that he welcomes the new EPC structure. Stating that "we need open, broad discussion," Aliyev noted that the EPC represents the first opportunity to address the broad spectrum of economic and commercial issues. "Everything is inter-related," he said, and it is important that the US and Azerbaijan concentrate both on the non-energy sectors and the energy sector. Both, he added, are important for political reasons. Azerbaijan strives to modernize and diversify its economy and development of the non-energy sector is vital to these efforts. Yet at the same time, continued development of Azerbaijan's energy sector is important for the future of Azerbaijan and the entire region. Aliyev noted that the US already had played a strong role in this area.

¶ 6. (C) Azerbaijani policy, Aliyev said, seeks to ensure that  
BAKU 00000235 002 OF 002

Azerbaijan's energy revenues are distributed fairly and raise the standard of living. Aliyev said he is very aware that energy-rich countries run the risk of widening the gap between rich and poor. Thanks to measures put in place to ensure the transparent collection of energy revenue, Aliyev said that the distribution of wealth in Azerbaijan is improving. While Azerbaijan has the fastest growing economy in the world, Aliyev said he is more proud of his government's record in eliminating poverty, which he said has decreased from 49 to 29 percent over the last three years. More than 500,000 jobs have been created over the last three years, Aliyev continued, adding that he wants to ensure that "energy serves people's needs." To that end, his government has granted USD 100 million in loans to the private sector and has provided USD 80-90 million in agricultural subsidies to help ease the impact of increased electricity and water charges.

¶ 7. (C) Aliyev said that his government seeks to transform Azerbaijan's oil wealth into human capital. The information technology (IT) sector presents good opportunities. While in Davos, Aliyev continued, he met with the CEO's of Intel, Microsoft and Cisco Systems; he expressed his government's desire to work with all of them to turn Azerbaijan into a "serious regional IT hub." His government already is engaged in the necessary preparatory work, establishing internet connections in all schools; his goal, Aliyev concluded, is to decrease Azerbaijan's dependence on oil, build a modern economy, and make people happy.

¶ 8. (U) A/S Sullivan cleared this message.  
DERSE